U4110-1

PENNSTATE

College of Business Administration

Published since 1938

Pennsylvania Business Survey

May 1989

SIGNALS OF A SLOWDOWN?

Recent readings of the national economy's health suggest that activity may be in the process of slowing. Some attribute this to tight credit policies maintained by the Federal Reserve over the past several months. Interest-sensitive sectors such as housing and motor vehicles have slowed considerably. While the lack of adequate data precludes the identification of sectors where real activity is slowing in Pennsylvania, **several broad indicators have just begun to show their first signs of sluggishness.**

Still, perhaps **the most noteworthy development in March was one of the strongest employment/unemployment reports in recent memory.** Employment registered a gain of a seasonally adjusted 100,000 in settling at just under 5,800,000. This gain proved to be more than enough to absorb a substantial inflow into the labor force as unemployment fell by 20,000. The end result was a 3.9 percent jobless rate, seasonally adjusted. March's unemployment rate has been matched or bettered only three times since 1970.

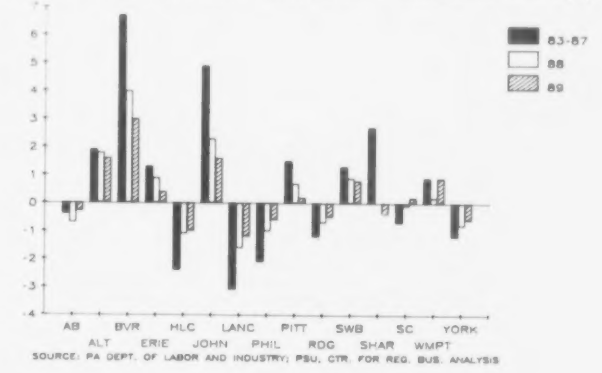
Over the past several months, it has been stressed several times in the *Pennsylvania Business Survey* that economic growth is becoming more evenly distributed across the several regions of Pennsylvania, though disparities still remain. Recent trends in the unemployment rate give credence to such a contention. Eight of the 15 metro areas in Pennsylvania had unemployment rates above the Statewide average during the 1983-1987 period (chart). Differences ranged anywhere from 6.7 percentage points above-average in Beaver County to 0.9 point above in Williamsport. In six of those cases, the degree to which jobless rates exceeded Statewide averages lessened in both 1988 and 1989:IQ. In one case, the rate fell below-average in this year's first quarter. Much the same is true for six of the seven areas which maintained jobless rates below-average in the 1983-1987 period. The difference between the jobless rates in these regions and the Statewide reading lessened in both 1988 and 1989:IQ in five regions. In another, the rate rose above-average during this year's first three months.

Much of the good news stops with the *Current Population Survey* (resident labor force, employment, and unemployment) data. Another widely followed measure of employment trends, nonagricultural job totals, fell slightly from February readings. Many analysts feel that this information presents a more reliable, less volatile, and more statistically sound picture of the employment situation than do the *CPS* data. **While the warm-weather run-up in nonfarm job levels did occur in March, it was not as pronounced as usual. The end result was a seasonally adjusted decline of 4,000 from the previous month, to 5,096,000.**

The dichotomy between trends evident in the employment data vs. those found in the nonagricultural job data is also evident in each of Pennsylvania's 15 metropolitan areas (chart). In all cases, the growth in resident employment between the first quarters of 1988 and 1989 outpaced the gain in nonfarm jobs. Differences ranged from 1.9 percentage points in Philadelphia to 3.2 points in Beaver County.

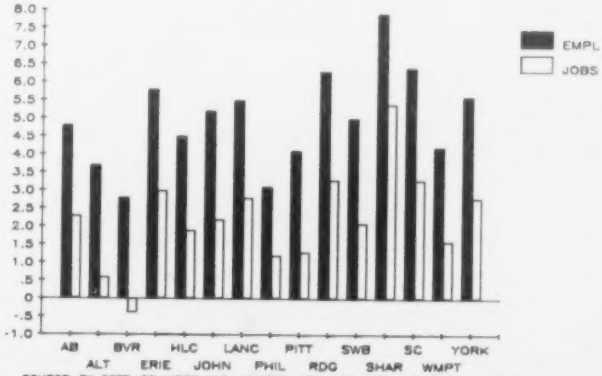
For once, **there was fairly widespread weakness in the nonmanufacturing job data for the month of March in Pennsylvania.** Although job levels as a whole were unchanged from February readings after seasonal adjustment, **seven of the ten broad industry groups show job losses.**

PA METRO AREA UNEMPLOYMENT RATES vs. THE STATEWIDE AVERAGE
(pct. point difference; metro area - Statewide average)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

PA METRO AREA EMPLOYMENT GROWTH vs. NONAGRICULTURAL JOB GROWTH: 1988-1989 YTD
(percent)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; PSU, CTR. FOR REG. BUS. ANALYSIS

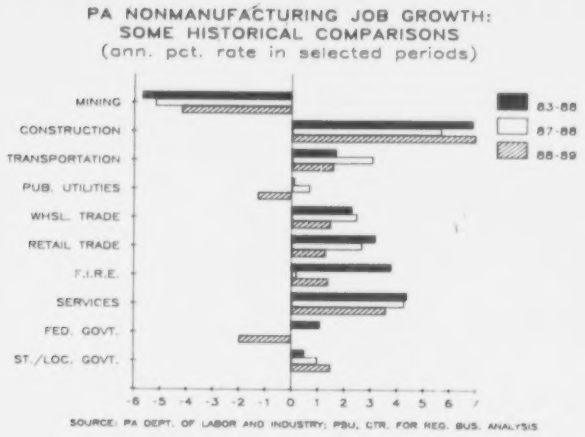
Of the three others, only the service category generated an appreciable amount of new jobs during the month. March's weakness did very little to counteract the rash of good news in these industries over the course of the past several years. As a result, job levels in most industries stand at or just below all-time highs. For the sector as a whole, the 4,038,000 jobs maintained in March equals the previous month's record.

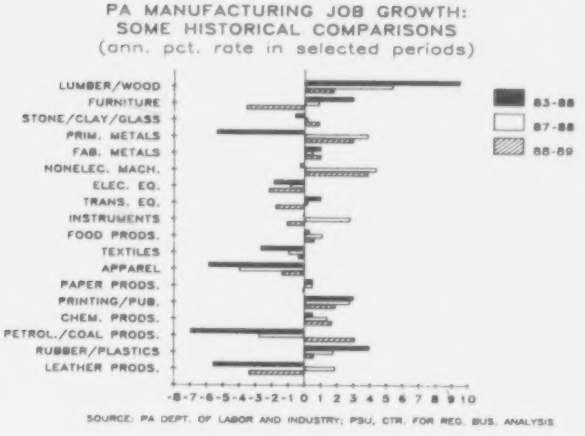
Now that the first quarter is complete, it is possible to take stock of how the economy is holding up in 1989 relative to previous years. **First quarter growth in nonmanufacturing jobs came in at 2.2 percent on an annual basis. This is down from the 2.8 percent gain realized in 1988. It is also off from the 3 percent annual gain averaged over the 1983-1988 period.** These general trends mask a good deal of variability across industries (chart). While most industries did see growth slow a bit during the first quarter compared to the past several years, others, such as construction and State and local government, witnessed an increase in hiring activity. The strong showing on the part of the construction industry is a bit perplexing given trends in other indicators of activity. The number of housing units authorized for construction is off from year ago readings while the value of construction contracts is up only marginally on a year-to-date basis.

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1989		1988	1989		1988	1989		1988
	Feb.	*March*	*March*	*Feb.*	*March*	*March*	*Feb.*	*March*	*March*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,017*	5,045	4,967	5,100*	5,096	5,018	111.7	111.6	109.9
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,964*	3,991	3,915	4,038*	4,038	3,962	125.3*	125.3	122.9
Mining	28	28	29	29	28	30	60.0*	58.7	61.7
Contract construction	209	216	204	239	237	226	130.2*	129.1	123.1
Transportation	147*	149	147	150	150	148	92.9*	93.1	91.8
Public Utilities	103*	103	105	104	103	105	102.9*	102.7	104.4
Wholesale trade	270	270	267	273	272	269	122.9*	122.6	121.4
Retail trade	866*	869	859	892*	889	880	124.3*	124.0	122.7
Finance, insurance & real estate	293	295	290	296	297	293	136.1*	136.7	134.5
Service & miscellaneous	1,340*	1,353	1,308	1,355*	1,363	1,318	157.1*	158.0	152.8
Federal government	139	138	142	139*	138	142	108.8*	107.9	110.5
State & local government	571*	571	565	564	561	554	96.8	96.2	95.1
Manufacturing									
No. of wage and salary jobs (thous.)	1,052	1,053	1,050	1,062	1,059	1,056	79.1	78.9	78.7
Durable goods	600	601	598	607	605	602	74.9	74.7	74.4
Nondurable goods	452	452	451	455	454	453	85.5*	85.3	85.2
Ave. wkly. hrs. worked by prod. workers	40.6	40.5	40.8	40.9	40.7	41.0	103.6	103.0	103.7
Total wkly. person-hours worked (mils.)	29.4	29.4	29.3	29.9*	29.6	29.5	77.8*	77.2	76.9
Total wkly. payroll (mil. dols.)	308.2*	308.9	296.7	313.6*	312.3	299.8	139.6	139.0	133.4
Average hourly earnings (dollars)	10.48	10.52	10.14	10.47	10.55	10.17	179.0*	180.4	173.8
Average weekly earnings (dollars)	425.49	426.06	413.71	428.92	429.06	416.14	185.4*	185.5	179.9
Steel production (thous. tons)	1,088	1,239	1,169	n.a.	n.a.	n.a.	51.9	50.8	47.7
Industrial electric power sales (mil. kwh)	3,776	3,890	3,832	3,773	3,844	3,774	102.2	104.1	102.2
Mining									
Anthracite coal (thous. net tons)	234	279	279	301	308	309	61.6	63.0	63.3
Bituminous coal (thous. net tons)	6,066	7,150	6,231	6,208	6,391	5,511	88.0	90.6	78.1
Construction contracts awarded (mil. dols.)									
Total	525.1	1,004.5	923.3*	835.3	904.0	809.4*	259.6	281.0	251.6*
Residential building	231.5	410.4	427.3*	393.3	347.0	362.2*	279.4	246.6	257.3*
Nonresidential building	149.7	390.5	307.1*	222.5	381.5	305.4*	205.1	351.7	281.5*
Nonbuilding (utilities and public works)	143.8	203.6	192.6*	219.5	175.5	141.8*	302.9	242.2	195.7*
Housing units authorized by permit	2,710	3,834	6,258	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Nonresidential bldgs. authorized by permit	904	1,594	1,928	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Retail Sales (mil. dols.)	5,617	n.a.	5,644†	6,439	n.a.	6,466†	n.a.	n.a.	n.a.
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,533	5,642	5,324	5,665	5,765	5,447	117.9	120.0	113.4
Unemployed									
No. of persons (thous.)	281	250	315	254	235	300	63.3	58.5	74.7
Rate (percentage of labor force)	4.8	4.2	5.6						
Rate, seasonally adjusted				4.3	3.9	5.2			
Civilian labor force, no. of persons (thous.)	5,814	5,892	5,639	5,919	6,000	5,747	113.7	115.2	110.4
Initial claims for unemployment benefits	78,866	79,091	77,033	85,572	92,093	88,917	59.8	64.3	62.1

Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1989		1988	*Month Ago*	*Year Ago*
	Feb.	*March*	*March*		
U.S. city average	121.6	122.3	116.5	+0.6	+5.0
Philadelphia	125.4	126.0	119.6	+0.5	+5.4
Pittsburgh	117.9	n.a.	113.3†	n.a.	+4.1

[1] Total includes workers on strike. * = figure revised † = figure for February 1988 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

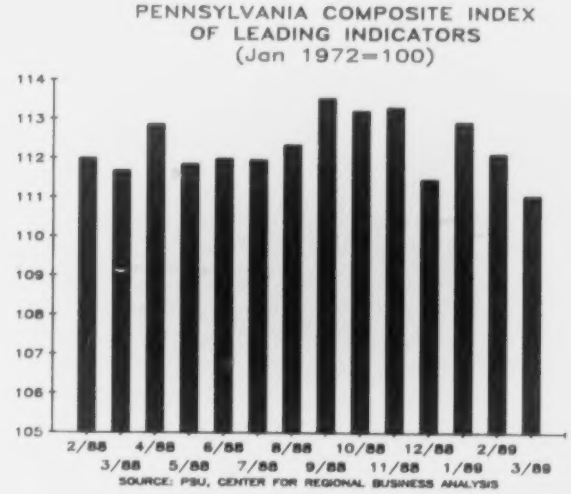




After several months of good news, **some signs of weakness are also starting to appear with respect to factory jobs.** After adjusting for seasonality, manufacturing jobs dropped for the second consecutive month in March as they settled at 1,059,000. **For the first quarter, jobs were up 0.6 percent from a year ago. While this represents a fair amount of improvement over the 1983-1988 period, it is off slightly from the 1987-1988 gain.** As with nonmanufacturing, such a general overview hides diverse trends across industries (chart). Among Pennsylvania's largest manufacturers, the primary metals and nonelectrical machinery industries have improved upon earlier performances in recent months. Others, such as electronic equipment and transportation equipment have witnessed a slowing in job growth. On the nondurables side, jobs continue to be lost in textiles and apparel, but the rate of decline is lessening.

All in all, trends have varied of late in Pennsylvania, both with respect to prior months and across industries. In light of the slowdown in progress nationally and some questionable trends evident in recent Pennsylvania data, it may be concluded that some slowing in the pace of economic activity is imminent. Two consecutive months of decline in the Pennsylvania index of leading indicators (chart) also tend to back up such a contention. Additionally, the first bit of economic news for April shows that all of the improvement recorded on the resident employment/unemployment front in March was offset. However, as has been stressed several times in the past in the *Pennsylvania Business Survey*, a cautious approach is required in reading regional economic conditions, in part because of the relative lack of appropriate data. Although a slowdown between now and the end of 1989 would fit in well with the forecast spelled out in earlier issues of the Survey, it is best to wait and see how the next month or two plays out before any predictions can be made with a reasonable degree of confidence.

— William D. Anderson



Announcing . . .

In October 1988, the Pennsylvania Manufacturing Activity Index was introduced in the *Pennsylvania Business Survey*. This indicator is designed to measure manufacturing output in Pennsylvania on a monthly basis. A recently completed 31-page study is currently available which describes the methodologies used to generate the PMAI. The study also examines the statistical reliability of the Index. Some exercises are also conducted which highlight new insights gained from the use of such a tool. This study represents the fifth installment of the *Pennsylvania Economic Studies* series. To receive a free copy, please write to: *The Pennsylvania State University, College of Business Administration, Center for Regional Business Analysis, 108 Business Administration Building II, University Park, PA 16802.*

Around the State

Northeastern Quarter

Allentown-Bethlehem

The economy continues to move forward in the Allentown-Bethlehem region but the rate of expansion is questionable. It is possible that the area is at a turning point and is shifting gears to a slower rate of growth. More definitive conclusions

may be drawn after the economy heads into the typically strong spring and summer months. Despite some question marks, first quarter trends were encouraging, taken as a whole.

Trends on the resident employment and unemployment front remain impressive. Employment during this year's first three months was up 4.8 percent on an annual basis. This comes on the heels of a 2.7 percent advance over the 1987-1988 period. During the first several years of recovery, 1983-1988, employment growth averaged 2.4 percent. These trends are in line with those recorded Statewide. The 316,900 residents counted as employed in the first quarter represent another record high.

The region's unemployment rate has been below the average for Pennsylvania throughout the recovery. At a seasonally adjusted 3.9 percent, the region's jobless rate in the first quarter remained below the State's 4.2 percent. Labor force growth has picked up considerably during the past two years. This also suggests that overall economic growth has advanced of late.

Another employment-based measure of economic growth paints a somewhat different picture. At 2.3 percent on an annual basis, nonagricultural job growth in the first quarter was nearly identical to growth throughout the recovery. The inflow of residents into the region who maintain jobs outside of the metro area may account for some of the difference between growth rates in resident employment and nonfarm jobs. Resident employment data measure the number of the region's residents employed, regardless of the origin of employment. Nonagricultural job levels represent the number of jobs maintained within the region, regardless of the place of residence of job-holders.

Most new jobs continue to be generated in the region's nonmanufacturing establishments. The 199,600 nonmanufacturing jobs in this year's first quarter represent a gain of 5,700 from 1988:IQ and signal another new record after adjusting for normal seasonal ups and downs. These gains, however, come up short relative to those racked up in previous years. Building-related jobs are up from a year ago. The value of construction contract awards is down from a year ago, suggesting that building activity may be slowing. Manufacturing jobs averaged 77,500 during this year's first quarter, up 600 from a year ago. Jobs have fluctuated in the 77,000-78,500 range since the second half of 1986. This steady trend may represent a long-awaited bottoming out after several years of downward pressure on job levels. Though it was off slightly from previous readings, a relatively high average factory workweek and an increase in electricity sales to industry also suggest that manufacturing's fortunes have taken a turn for the better.

Scranton-Wilkes-Barre

The nonmanufacturing sector continues to fuel economic growth in the Scranton-Wilkes-Barre metropolitan area. There were 225,900 jobs in these industries during this year's first quarter, a gain of 4,900 from a year ago. After seasonal adjustment, this represents yet another record reading for the sector as a whole. On the negative side, first quarter's growth falls short of advances recorded earlier. Between 1983 and 1988, more than 37,000 new jobs were generated by this sector. As a result, its share of total nonfarm jobs rose from 72 to 76 percent.

Allentown-Bethlehem Area[1]

	Ave. mo. value 1 Q.'89	Average monthly index seas. adj. (1977 = 100) 1 Q.'89	4 Q.'88	1 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	316.9	118	114	112
Unemployed, no. of residents	14.1	63	67	76
Rate, seasonally adjusted	3.9			
Civilian labor force, no. of residents	330.9	114	111	110
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	277.1	110	110	107
Nonmfg. only, no. of jobs	199.6	137	136	133
Mfg. only, no. of jobs	77.5	72	72	72
Hrs. worked by production workers in mfg., *ave. weekly*	39.4	104	105	104
Industrial electric power sales				
Metropolitan area	***	116	112	112
Allentown	***	99	98	98
Bethlehem	***	128	124	124
Easton	***	119	113	111
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	69.3	-15		
Nonresidential contracts only	29.0	-17		

[1]Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Over the same five-year period, manufacturing jobs fell by 2,000. However, minimal gains have been recorded over the past several months. First quarter's 71,900 factory jobs translate into a gain of 1,300 from the same period in 1988. Should economic growth continue, manufacturing jobs should hold fairly steady. It is quite unlikely that these industries will generate significant numbers of new jobs in the foreseeable future, in part because of a continued emphasis on cost-cutting and productivity enhancements. Furthermore, the ability of the economy to continue to expand nonstop is questionable. Should a downturn occur, these industries will certainly suffer the consequences.

Despite continued job gains, construction activity may be in the process of slowing. The value of contract awards fell for nonresidential projects and rose only minimally on the residential side, probably the result of inflation rather than increased activity. Recent behavior in housing unit authorizations also points to some slowing.

The region's unemployment rate continues to make up ground relative to the Statewide average. After averaging 1.3 percentage points above-average during the 1983-1987 period, the jobless rate came in at 0.9 points above par in 1988. The 5 percent reading, seasonally adjusted, in this year's first quarter was 0.8 point higher than the Statewide average. These trends mask a good deal of variability across the region's counties. During this year's first quarter, unemployment rates ranged anywhere from 1.8 percentage points above the Pennsylvania average in Columbia County to 0.2 point below in Monroe County. Perhaps the best news in the first quarter is found on the resident employment front. The 342,900 residents officially listed as employed represent a gain of 5 percent from last year. This is quite impressive compared to the annual gain of 2.9 percent averaged over the 1983-1988 period.

First quarter developments in the metropolitan area proved to be encouraging. In most industry groups, the only cause

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 1 Q.'89	Average monthly index seas. adj. (1977 = 100) 1 Q.'89	4 Q.'88	1 Q.'88
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	342.9	124	120	118
Lackawanna County[2]	104.5	118	114	113
Luzerne County[3]	151.7	117	113	112
Unemployed, no. of residents				
Metropolitan area	20.5	59	66	73
Rate, seasonally adjusted	5.0			
Lackawanna County[2]	5.6	51	58	64
Luzerne County[3]	9.8	63	68	78
Civilian labor force, no. of residents				
Metropolitan area	363.4	117	114	113
Lackawanna County[2]	110.1	112	109	108
Luzerne County[3]	161.5	111	108	108
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	297.8	116	115	114
Nonmfg. only, no. of jobs	225.9	130	129	127
Mfg. only, no. of jobs	71.9	87	86	86
Hrs. worked by production workers in mfg., *ave. weekly*	38.6	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	113	113	112
Lackawanna County[2]	***	121	124	124
Luzerne County[3]	***	103	99	98
Hazleton	***	92	88	88
Wilkes-Barre	***	110	108	102

Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd
Residential contracts only	68.8	+ 7
Nonresidential contracts only	25.5	-40

[1]Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2]Includes Scranton
[3]Includes Wilkes-Barre and Hazleton
[4]Excludes Wyoming County

for concern appears to be a slowdown in growth in some cases, but certainly not an actual decline in activity. Nonetheless, it may be that this is the first sign of a somewhat more pronounced slowdown in the remainder of the year. Mounting evidence of a slowdown nationwide certainly raises the possibility of such a development in northeastern Pennsylvania.

Williamsport

Resident employment and unemployment trends shed the Lycoming County economy in a positive light during this year's first three months. A 4.2 percent gain from last year's first quarter pushed employment up to another record, 56,800, if seasonal trends are discounted. This represents an improvement over last year's 3.3 percent advance. First quarter's growth fell a bit short of the Statewide gain. In absolute terms, employment rose by 2,300 for the year ending with the first quarter. This was strong enough to absorb a gain in the labor force of similar magnitude and reduce the number of unemployed by 100. The result was a jobless rate of 6.3 percent, unadjusted, down 0.3 percentage point from a year ago.

Different results are obtained when looking at another broad measure of employment trends, nonagricultural job levels. This measure rose just 1.6 percent on an annual basis in the first quarter. Growth was off from that registered in 1988. The slowdown is attributable to a dropoff of 400 jobs from a year ago in durable goods manufacturing industries. All told, there were 16,000 factory-related jobs in Lycoming

Williamsport Area[1]

	Ave. mo. value 1 Q.'89	Average monthly index seas. adj. (1977 = 100) 1 Q.'89	4 Q.'88	1 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	56.8	124	120	120
Unemployed, no. of residents	3.8	69	70	71
Rate, seasonally adjusted	5.1			
Civilian labor force, no. of residents	60.7	120	115	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	50.8	112	111	111
Nonmfg. only, no. of jobs	34.8	125	123	120
Mfg. only, no. of jobs	16.0	92	92	96
Hrs. worked by production workers in mfg., *ave. weekly*	39.2	101	103	107
Industrial electric power sales	***	94	92	108

Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd
Residential contracts only	6.9	+64
Nonresidential contracts only	6.0	++

[1]Lycoming County

County in this year's first quarter. Approximately three consecutive years of steady gains in manufacturing jobs apparently came to a stop in the second half of last year. Still, the most recent reading was the second-highest first quarter total since 1980. Trends continue to be encouraging on the nonmanufacturing side as 1,400 jobs were added between the first quarters of 1988 and 1989. The 34,800 positions maintained in these establishments during this year's first three months translate into a record high after seasonal adjustment. Construction activity appears to be holding its own as solid gains in the value of contract awards were reported on both the residential and nonresidential sides in the first quarter. Growth in the number of new housing units authorized by permit also points to a growing residential construction sector.

Taken as a whole, first quarter's batch of statistics illustrate an economy that continues to expand in Lycoming County. At the same time, early signs of a potential slowdown may be found in some trends. Clearly, the next few months will be of special importance in gauging the strength of the region's economy.

Southwestern Quarter

Altoona

While the positives outweigh the negatives, there were some mixed signals coming from the Blair County economy during the first three months of 1989. As a result, a slowdown later in the year cannot be ruled out. On the negative side, conditions in the manufacturing sector remain lackluster. On a seasonally adjusted basis, job levels have held steady during the past three quarters. Compared to a year ago, first quarter's 10,600 factory positions represent a drop of 500. A steady trend in electricity sales to industry suggests that activity is probably holding steady. Although down a bit in the first quarter, the average factory workweek remains near all-time highs. Taken as a whole, most indicators suggest that the region's manufacturers will struggle to maintain current employment levels.

Service-producing industries continue to propel the nonmanufacturing job situation forward, though even here, growth is off from averages earlier in the recovery. First

quarter's 2 percent annual gain was enough to push job levels in this sector to 40,000, a record after seasonal adjustment. All of the gain is accounted for by the service-producing industries. In absolute terms, retail trade accounted for the largest job gain between the first quarters of 1988 and 1989 with 300 new positions. Construction appears to be holding its own based on trends in jobs, contract awards (despite a 29 percent fall on the residential side), and housing permit authorizations.

Improvement continues to be recorded with respect to the employment/unemployment picture. Partly as a result, the gap between Blair County's jobless rate and the Statewide average continues to narrow, though it still remains considerably above-average relative to the State. First quarter's 5.8 percent, seasonally adjusted, reading stood 1.6 percentage points higher than the Statewide norm. Resident employment growth, at 3.7 percent in the first quarter, was more than twice as strong as last year's advance and outpaced the average gain during the first several years of recovery. Although some slowing in the economy may be in the offing, solid growth over the past few years has resulted in a rather large inflow into the labor force after several years of rather stagnant growth in this measure of the economy's health.

Johnstown

The bi-county Johnstown metropolitan area economy continued to exhibit slow but steady improvement during this year's first quarter. Economic trends probably mirrored those Statewide, just as they have been doing for several consecutive quarters, with some measures improving on Statewide averages and some falling short of overall norms. The possibility of a slowdown cannot be ignored, especially in light of evidence of a slowdown in the national economy.

Trends on the resident employment/unemployment front were especially impressive during the first three months of 1989. At 5.2 percent, employment growth between the first quarters of 1988 and 1989 surpassed the 4.5 percent Statewide gain. It also represents considerable improvement over gains registered in previous years when the area was consistently outperformed by the State. Employment gains over the past several years have helped to push down joblessness in the region. First quarter's 5.8 percent seasonally adjusted unemployment rate compares quite favorably with the 7.4 percent average for 1988 and the 13.2 percent reading for the 1983-1987 time frame.

These trends may overestimate the true health of the employment picture in the region. Another measure of job trends, the number of positions in nonfarm establishments, suggests that growth was not nearly so strong in the first quarter. At 2.2 percent, the annual gain was less than one-half that for resident employment. This measure is viewed as more statistically reliable than the resident series by many analysts. Jobs continue to climb, albeit minimally, in the region's factories. At 13,500, manufacturing jobs were up by 200 from a year ago in the first quarter. After seasonal adjustment, they were up by 100 from last year's fourth quarter. The durable goods industries accounted for all new positions relative to a year ago. Upturns in the average factory workweek and in electricity sales to industry showed signs of topping out in the first quarter, implying that growth may be hard to come by in these industries as 1989 unfolds.

The only time that nonmanufacturing job levels have surpassed current readings occurred in the few years prior to the recessions of the early 1980s. The 65,300 positions maintained in these establishments during the first quarter translate into a gain of 1,500 jobs from a year ago. Trends in construction activity appear to be mixed. The value of nonresidential contract awards rose by three-fourths from a year ago in the most recent quarter. Residential awards were off by one-half and a small sample of permit-issuing authorities suggests that housing unit authorizations are slowing.

Pittsburgh-Beaver Valley

Despite concerns of a slowdown later in 1989, this year's first quarter brought with it further good news on the economic front in the five counties making up the Pittsburgh-Beaver Valley metro region. While problems remain, the good news of late has offset the bad. Given increased concerns with a possible slump in the nation's economy, there is added pressure to identify turning points in regional econ-

Altoona Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'89	*1 Q.'89*	*4 Q.'88*	*1 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	55.9	111	107	107
Unemployed, no. of residents	4.1	90	100	104
Rate, seasonally adjusted	5.8			
Civilian labor force, no. of residents	60.0	109	106	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	50.6	102	101	101
Nonmfg. only, no. of jobs	40.0	108	107	106
Mfg. only, no. of jobs	10.6	83	84	87
Hrs. worked by production workers in mfg., *ave. weekly*	40.0	106	107	107
Industrial electric power sales	***	76	78	77
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	2.5	−29		
Nonresidential contracts only	11.9	+70		

[1]Blair County

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'89	*1 Q.'89*	*4 Q.'88*	*1 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	89.5	95	92	91
Unemployed, no. of residents	7.0	52	61	67
Rate, seasonally adjusted	5.8			
Civilian labor force, no. of residents	96.5	91	89	88
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	78.8	92	91	90
Nonmfg. only, no. of jobs	65.3	100	100	98
Mfg. only, no. of jobs	13.5	65	64	64
Hrs. worked by production workers in mfg., *ave. weekly*	39.8	102	102	102
Industrial electric power sales	***	172	186	177
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	7.2	−50		
Nonresidential contracts only	8.7	+78		

[1]Cambria and Somerset Counties

omies. While such a turning point has not yet been reached in western Pennsylvania, some signs of a possible slowdown have recently emerged.

Nonfarm job growth slowed in this year's first quarter in the Pittsburgh portion of the region. Compared to the same period in 1988, jobs rose 1.3 percent, down from a 1.8 percent advance in the previous year. In Beaver County, jobs continue to be lost, but the rate of decline was not as pronounced as in 1988. The 865,300 nonagricultural positions maintained in the Pittsburgh metro area represent the highest first quarter total since 1982. Beaver County's first quarter reading of 48,400 is the lowest on record dating back to 1975.

Nonmanufacturing job levels continued to move forward in settling at a record high in the four-county Pittsburgh region. In Beaver County, nonmanufacturing job totals in the first quarter were down slightly from the previous quarter after seasonal adjustment. Compared to a year ago, however, job totals were up by a very slight 100. In the much larger Pittsburgh region, jobs advanced by 9,600. Job growth in the first quarter did not match up well with the gains recorded elsewhere in Pennsylvania.

Indicators of residential construction activity were mixed. On the positive side, there were gains in the value of contracts awarded. Information on housing units authorized by permit show a reduction in activity from a year ago with declines in Allegheny and Fayette Counties more than offsetting gains elsewhere. On the nonresidential side, contract awards were up considerably in the Pittsburgh area but were down in Beaver County. Building-related jobs were down region-wide.

Both regions show signs of stability with respect to manufacturing jobs. While such a steady trend is welcome following several years of hardship, it nonetheless leaves job levels hovering at or near record lows. In Beaver County, factory jobs dropped by 200 from a year ago to settle at 9,400. In the remaining four counties, jobs rose by 1,400 to 125,500. Electricity sales to industry, a good proxy for industrial activity, appear to have topped out after a fairly strong rebound in recent quarters. On a more positive note, the average factory workweek remains quite high in historical terms which may act as a buffer against downward pressure on jobs.

Better news is found in trends as they relate to resident employment and unemployment. In the Pittsburgh region, seasonally adjusted employment finally surpassed previous records (comparable data go back to 1975). In Beaver County, employment rose to its highest level in three years. The gap between the region's unemployment rates and that maintained in the State has narrowed over the years. But a fair portion of the improvement is the result of a sluggish showing with respect to labor force growth rather than above-average gains in employment. Despite the improvement, the region still maintains higher jobless rates than in the State. While Pennsylvania had an unemployment rate of 4.2 percent, seasonally adjusted, in the first quarter, Beaver County came in with a 7.2 percent reading and Pittsburgh was home to a much-improved 4.4 percent rate.

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'89	*1 Q.'89*	*4 Q.'88*	*1 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	923.9	109	105	105
Beaver County	55.3	66	64	64
Unemployed, no. of residents				
Pittsburgh[1]	49.9	68	80	94
Beaver County	4.8	67	76	92
Unemployment Rate, seas. adj.				
Pittsburgh[1]	4.4			
Beaver County	7.2			
Civilian labor force, no. of residents				
Pittsburgh[1]	973.8	106	103	104
Beaver County	60.2	66	65	66
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	865.3	101	100	100
Beaver County	48.4	65	65	65
Nonmfg. only, no. of jobs				
Pittsburgh[1]	739.6	116	115	114
Beaver County	39.1	105	105	104
Mfg. only, no. of jobs				
Pittsburgh[1]	125.5	58	57	57
Beaver County	9.4	25	25	26
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	42.1	n.a.	n.a.	n.a.
Beaver County	43.7	n.a.	n.a.	n.a.
Industrial electric power sales	***	64	66	61
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	96.7	+10		
Beaver County	4.8	+30		
Nonresidential contracts only				
Pittsburgh[1]	191.8	+61		
Beaver County	2.7	−13		

[1]Allegheny, Fayette, Washington and Westmoreland Counties
[2]Beaver County

State College

Economic activity continued to climb in this year's first quarter in Centre County at a pace which again exceeded Statewide norms. There were, however, some mixed signals which suggests that growth may be in the process of peaking and a slowdown may be on the horizon. However, no such signals are evident in recent employment/unemployment trends. Employment grew 6.4 percent between the first

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'89	*1 Q.'89*	*4 Q.'88*	*1 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	61.3	148	143	140
Unemployed, no. of residents	3.0	106	110	119
Rate, seasonally adjusted	4.4			
Civilian labor force, no. of residents	64.4	146	141	138
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	56.3	139	138	135
Nonmfg. only, no. of jobs	48.3	142	140	138
Mfg. only, no. of jobs	7.9	122	122	120
Hrs. worked by production workers in mfg., *ave. weekly*	39.4	n.a.	n.a.	n.a.
Industrial electric power sales	***	129	135	125
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	15.7	+29		
Nonresidential contracts only	15.6	+43		

[1]Centre County

quarters of 1988 and 1989. This surpasses the Statewide gain and improves upon the region's performance over the past several years. Employment totaled 61,300 in the first three months of the year for a new record.

Despite this impressive showing, Centre County's jobless rate has exceeded the State's in recent months. For the first quarter, the rate came in at a seasonally adjusted 4.4 percent in the metro area compared to 4.2 percent Statewide. Throughout much of the recovery, the region has maintained a jobless rate lower than the Commonwealth's. It appears that the region's strong showing of late has resulted in large gains in the labor force which have prevented a further drop in unemployment.

General trends in nonfarm industries remain unchanged from previous readings: nonmanufacturing continues adding most new jobs while the factory sector has held its own. The retail trade and service industries continued to fuel growth in nonmanufacturing jobs in the first quarter. They realized job gains of 500 and 200, respectively, over year-ago readings. Nonmanufacturing jobs totaled 48,300, a new record after seasonal adjustment and up by 1,600 from 1988:IQ. Construction activity appears to be holding its own based on contract awards though it is unlikely that growth rates from earlier in the decade will be matched. In absolute terms, job gains in the manufacturing sector were much less pronounced than in nonmanufacturing, but they nonetheless represent a continuation of several months of steady improvement. The 7,900 positions in these industries during the first quarter represent a gain of 100 from a year ago. Comparable data are available back to 1975. After adjusting for normal seasonal ups and downs, first quarter's job total was surpassed only five times in the past. Total nonfarm jobs grew at a 3.3 percent annual rate in the first quarter, only about one-half the gain for resident employment. Additionally, this growth was a bit slower than in previous years.

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'89	*1 Q.'89*	*4 Q.'88*	*1 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	126.0	115	110	109
Unemployed, no. of residents	7.0	68	80	92
Rate, seasonally adjusted	4.6			
Civilian labor force, no. of residents	133.0	112	108	108
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	114.6	106	104	102
Nonmfg. only, no. of jobs	78.8	119	118	116
Mfg. only, no. of jobs	35.8	84	83	82
Hrs. worked by production workers in mfg., *ave. weekly*	42.3	103	105	104
Industrial electric power sales	***	114	120	115
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	17.6	+32		
Nonresidential contracts only	6.8	−11		

[1]Erie County

Northwestern Quarter

Erie

Nonmanufacturing industries in Erie County continued employing record numbers in this year's first quarter. There were 78,800 nonfactory jobs in the region, up by 2,500 from a year ago. Trends in construction activity are somewhat difficult to call. The value of contract awards is up by one-third from a year ago on the residential side but down by 11 percent for nonresidential projects. After falling slightly in 1988, a small sample of permit-issuing authorities suggests that new housing units authorized rose in the first quarter. Building-related jobs rose by 100 compared to a year ago.

While the situation is not quite as encouraging on the manufacturing side, recent trends have been much improved compared to earlier years. The number of positions in manufacturing establishments has been on a slow climb since 1987. Still, job levels are only slightly above all-time lows. There were 35,800 wage and salary positions maintained in the first quarter in these industries, up by 900 from a year ago. Two-thirds of the new jobs came in durable goods industries. An especially strong showing was turned in by the nonelectrical machinery and transportation equipment category. There are, however, some signs of weakness. Both the average workweek and electricity sales to industry declined in the first quarter.

Trends in resident employment and unemployment were encouraging. Between the first quarters of 1988 and 1989, employment grew 5.8 percent. All told, the number of residents officially listed as employed totaled 126,000 in the first quarter, a new record after seasonal adjustment. Compared to a year ago, employment rose by 6,900. This was strong enough to absorb a net inflow of 4,600 into the labor force and reduce the number of unemployed by 2,300. The end result was a seasonally adjusted 4.6 percent jobless rate, the lowest reading since the early 1970s. The region has narrowed the gap between its unemployment rate and the State's considerably. The rate was 1.3 percentage points higher than the Commonwealth's over the 1983-1987 period, 0.9 point higher in 1988, and 0.4 point higher so far in 1989.

Much of the recent news has been positive. Trends show the region performing at least on par with the State, and probably a bit better. However, a close examination reveals some soft spots and raises the question of a possible slowdown in the future. It will take more than several months of strong performances to make up all of the ground lost compared to other regions earlier in the decade.

Sharon

Economic growth in Mercer County during the first quarter continued at a brisk pace. Growth appears to have picked up a bit with no clear signals of a slowdown in the near future. At 7.9 percent on an annual basis, resident employment growth was nearly twice as high as in Pennsylvania during this year's first three months. Employment totaled 49,200, the seventh highest quarterly reading on record, dating back to 1970, if seasonal trends are discounted. This strong showing helped lower the region's jobless rate to 3.8 percent, seasonally adjusted, down from 5.2 percent a year ago. While the area maintained an unemployment rate in excess of the Statewide average throughout much of the current economic recovery, it equalled the Commonwealth's average in 1988 and came in below-average in the first quarter of this year.

Trends were also encouraging on the nonagricultural jobs

front. While growth was a bit slower than that for resident employment, it still was higher than in previous years. The factory sector continues to contribute to job growth. The 11,500 positions maintained in these industries represent the highest first quarter reading since 1982 and a gain of 9.5 percent (1,000) from a year ago. Statewide, the advance was 0.6 percent. Relatively high average workweeks and continued strength in electricity sales to industry also point to a healthy factory sector.

The nonmanufacturing sector has realized growth throughout the recovery, though it has been uneven. The 31,400 positions in these establishments during the first quarter represent a record high after seasonal adjustment. During the course of the year ending with the first quarter, the mining, finance, and government sectors held job levels steady. Transportation and public utilities, along with wholesale trade, added 100 jobs. Construction jobs rose by 200. The big gainers were the retail trade and service industries with 500 and 400 new jobs, respectively. While the region's 4 percent gain in jobs between the first quarters of 1988 and 1989 surpassed the State's 2.2 percent advance, average growth over the past several years has been relatively low in the region. Between 1983 and 1988, annual gains averaged 1.5 percent. Statewide, they averaged 3 percent. Besides the job gain, other indicators of construction activity, such as the value of contracts awarded, also suggest that activity remains fairly high.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

The four-county Harrisburg-Lebanon-Carlisle metro area continued to move forward in this year's first quarter. Most indicators suggest that growth has been more in line with Statewide averages over the past several months. This comes after a period lasting several years when the area consistently outperformed the Commonwealth. Some measures of the economy's health suggest that growth eased a bit in the year's first three months. Others point to stronger growth. In light of this mixed picture, a slowdown over the next several months cannot be ruled out.

Nonmanufacturing continues to generate the bulk of all new jobs. A new record is set nearly every month. For the first quarter, the 247,600 positions maintained in these industries represent a gain of 5,600 from a year ago. After adjusting for seasonality, job levels have increased in every quarter since 1983. There are some signs that construction activity may be slowing, but again, signals are mixed. Despite a hefty increase in the value of residential contracts awarded, housing unit authorizations appear to be in a slight downtrend. The value of nonresidential awards was down in the first quarter from year ago readings as were the number of building-related jobs.

Manufacturing jobs continue to hold steady as they have stabilized in a narrow range for more than a year. At 51,900 in the first quarter, the number of jobs in these establishments was unchanged from a year ago. Statewide, there was a slight 0.6 percent advance. Losses on the nondurables side over the past year have more than offset gains in durable goods industries. Declines were realized across several industry lines, though the region's largest manufacturing category, food products, added 300 positions. Electricity sales to industry, a proxy for industrial production, have trended downward over the past year, though there was a slight uptick in the first quarter.

Continued strength in nonmanufacturing alongside a steady showing in the factory sector has allowed total nonagricultural jobs to continue to move forward. But growth in the first quarter did slow from the advances recorded in previous years. Over the 1983-1988 period, job growth averaged 2.9 percent in the region. During this year's first quarter, growth came in at 1.9 percent. For the past year, growth has been slightly below the Statewide average following several years of relatively strong gains.

Growth in resident employment has been a bit more impressive. The 313,300 residents officially counted as employed in the first quarter represent a record high, seasonally adjusted, and a 4.5 percent gain over a year ago. This is identical to the Statewide gain and represents an improve-

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'89	*1 Q.'89*	*4 Q.'88*	*1 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	49.2	105	101	98
Unemployed, no. of residents	2.3	47	59	64
Rate, seasonally adjusted	3.8			
Civilian labor force, no. of residents	51.5	100	98	95
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	42.9	97	95	92
Nonmfg. only, no. of jobs	31.4	111	110	107
Mfg. only, no. of jobs	11.5	72	70	65
Hrs. worked by production workers in mfg., *ave. weekly*	42.3	n.a.	n.a.	n.a.
Industrial electric power sales	***	120	120	117
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	4.6	+119		
Nonresidential contracts only	3.1	+244		

[1]Mercer County

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'89	*1 Q.'89*	*4 Q.'88*	*1 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	313.3	127	123	122
Unemployed, no. of residents	11.9	67	82	82
Rate, seasonally adjusted	3.2			
Civilian labor force, no. of residents	325.2	124	120	119
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	299.5	123	122	121
Nonmfg. only, no. of jobs	247.6	131	130	128
Mfg. only, no. of jobs	51.9	96	95	96
Hrs. worked by production workers in mfg., *ave. weekly*	40.1	n.a.	n.a.	n.a.
Industrial electric power sales	***	90	88	96
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	83.7	+92		
Nonresidential contracts only	38.1	−12		

[1]Cumberland, Dauphin, Lebanon, and Perry Counties

ment over previous years. At a seasonally adjusted 3.2 percent, first quarter's jobless rate came in a full percentage point below the Statewide average. Only one other metro region in the Commonwealth, Lancaster County, maintained a lower rate.

Lancaster

Employment and unemployment trends remained impressive in Lancaster County during the first quarter, reflecting continued strength in the overall economy. Throughout the course of the recovery, the metro area has been home to a jobless rate which has consistently been the lowest among the Commonwealth's 15 metropolitan regions. At a seasonally adjusted 3 percent during this year's first quarter, it was 1.2 percentage points below the State's average. One of the reasons for this impressive showing has been solid gains in employment. A 5.5 percent advance between the first quarters of 1988 and 1989 pushed employment to 215,600, another record after seasonal adjustment. Statewide, a 4.5 percent gain was realized. The strong employment picture in recent years has resulted in a relatively large uptrend in the labor force which has acted as a buffer against further reductions in joblessness. This has narrowed the gap between the region's unemployment rate and that maintained in the State.

Recent trends as they relate to nonagricultural jobs, though still positive, have not been as impressive. Annual growth in the first quarter was only about one-half of that for resident employment. Additionally, growth appears to have slowed a bit from previous years. Manufacturing jobs continued to hold fairly steady at readings just below all-time highs set prior to the onset of recession in the early 1980s. Since the first quarter of 1987, jobs have averaged no more than 60,300 in any quarter on a seasonally adjusted basis and no less than 59,800. First quarter job levels were off by 400 from a year ago. On the plus side, both the average workweek and industrial power sales remain quite high in historical terms.

Most new jobs generated over the past several years have come in the nonmanufacturing sector. The 126,000 positions in these industries during the first quarter translate into an all-time high, seasonally adjusted, and a gain of 6,000 over the past year. Construction has taken part in these gains as this industry added 600 new jobs over the period. This came despite an unimpressive showing as it relates to the value of contract awards. Service jobs grew by 2,500 since last year's first quarter while retail trade jobs jumped by 1,600.

Good news so far in 1989 has dominated. The only possible negative so far this year concerns a slowdown in growth in nonfarm jobs and a leveling off or slight decline in construction activity. These trends may persist throughout 1989. Hence, a reduction in activity is not expected, but somewhat more restrained growth may characterize the region over the next several months.

Philadelphia

Economic growth remains positive in the eight-county Philadelphia metropolitan area and is likely to continue so throughout 1989. However, trends through this year's first quarter also highlight some negative developments. Some measures of economic activity suggest that growth has already slowed in the region. Most indicators also suggest that growth has trailed advances recorded Statewide over the past year which represents a reversal from earlier years. So, while the short-term outlook does not call for an appreciable slump, it still leaves a good deal of room for improvement.

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q '89	*1 Q '89*	*4 Q '88*	*1 Q '88*
Employment *(in thousands)*				
Employed, no. of residents	215.6	140	135	133
Unemployed, no. of residents	7.0	80	90	92
Rate, seasonally adjusted	3.0			
Civilian labor force, no. of residents	222.6	137	133	131
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	185.6	133	132	129
Nonmfg. only, no. of jobs	126.0	152	149	145
Mfg. only, no. of jobs	59.4	106	106	106
Hrs. worked by production workers in mfg., *ave. weekly*	40.4	102	102	102
Industrial electric power sales	***	143	138	138
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	55.3	+ 6		
Nonresidential contracts only	6.9	– 74		

[1]Lancaster County

First quarter's best news is found in resident employment and unemployment developments. Employment remained at a record high and increased 3.1 percent from a year ago. This compares favorably with the 2.7 percent gain averaged over the course of the 1983-1988 period. However, it falls well short of the 4.5 percent gain averaged thoughout Pennsylvania. In absolute terms, employment rose by 71,000 between the first quarters of 1988 and 1989. This absorbed a net inflow into the labor force totaling 57,000 and reduced unemployment by 14,000.

The end result was a jobless rate of 3.6 percent, seasonally adjusted, compared to the State's 4.2 percent. Throughout the course of the current recovery, the metro area has maintained a lower unemployment rate than the Commonwealth. However, the gap was much more pronounced in earlier years, further evidence that Pennsylvania as a whole is catching up with the region.

Nonagricultural job levels have not grown nearly as fast as resident employment in recent months. In fact, first quarter's annual gain of 1.2 percent in the number of nonfarm jobs was less than one-half the resident employment advance. Furthermore, growth has slowed from earlier in the recovery. Here, too, growth has not fared too well relative to Pennsylvania in recent months.

After discounting normal seasonal ups and downs, manufacturing job levels have held fairly steady since mid-1988, bringing a halt to several years of downward pressure on job totals. Only time will tell if such a development will prove to be permanent or only a temporary cessation of job losses. Similar periods in the past proved to be only temporary respites. Compared to the first quarter of 1988, job levels were off by 5,400. Both the durable and nondurable goods industries lost jobs over the period. Printing and publishing, the region's largest manufacturing industry, lost 200 jobs. On the plus side, both industrial power sales and the average workweek remained quite high in historical terms during the first quarter.

Growth in nonmanufacturing jobs slowed considerably in the first quarter. At 1.7 percent, growth was only about one-half the gain averaged over the 1983-1988 period. Still, the increase was strong enough to push job readings to another record and the strong performance of these industries over the course of the past several years should not be ignored. Growth rates from earlier in the recovery simply could not be maintained indefinitely. The 1,807,000 nonfactory jobs maintained in the first quarter translate into a gain of 30,700 over the previous year. Construction contributed more than 3,000 of those new positions. Contract awards were little-changed from year-ago readings in the metro area. New housing units authorized by permit have declined by one-third so far in 1989 from the same period in 1988 in the Pennsylvania portion of the metro area. Each Pennsylvania county in the region recorded a decline, with the largest, 66 percent, occurring in Philadelphia County, and the smallest, 26 percent, in Bucks County.

Reading

First quarter trends suggest that economic growth remained healthy in the Reading metro area and may have even picked up a notch. At the least, there has been no noticeable dropoff in growth. The region's recent strength is evident in employment trends. The number of residents officially listed as employed rose 6.3 percent over 1988:IQ readings. Statewide, the advance was a much smaller, though still impressive, 4.5 percent. This gain allowed employment, which totaled 170,600, to remain at an all-time high. First quarter's gains were more than double those averaged throughout the first several years of recovery. As a result, the jobless rate dropped 0.9 percentage point from a year ago to 4.1 percent, unadjusted, the lowest first quarter reading since 1974.

Nonfarm job growth came to 3.3 percent between the first quarters of 1988 and 1989, considerably less than the resident employment gain. But while most other regions in Pennsylvania witnessed a decline in nonfarm job growth in the first quarter compared to previous years, it picked up a bit in Berks County. Nonmanufacturing job growth continues to be especially impressive. Jobs in these industries rose 4.1 percent on an annual basis during this year's first three months. In absolute terms, jobs rose by 4,000 from a year ago to 102,400, another new record after seasonal adjustment. The service and retail trade industries accounted for more than half of the gain. Building-related jobs rose, suggesting that construction activity remains brisk. An eight-fold increase in the value of contract awards for nonresidential projects suggest that activity on these types of projects was especially strong. Growth on the residential side was not nearly as robust.

The factory sector has realized minimal job gains over the past few quarters. Compared to last year's first three months, job levels rose by 1,000 this year to 48,700. This was the highest first quarter reading in four years. Strength in electricity sales to industry and a relatively high average factory workweek suggest that manufacturing's health remained intact. Despite some rather encouraging trends of late, job levels still stand just slightly higher than all-time lows.

Positive trends are likely to continue to dominate in the region although a slowdown sometime in the next several months cannot be ruled out, especially given mounting evidence of a slowdown in the national economy. Additionally, it is quite possible that relatively tight labor markets could limit job and employment gains in the future. Whether or not the region is operating at the widely-talked about "full-employment" rate, not only numerically but with respect to the full utilization of the labor force's skills, is debatable.

York

Economic conditions in the York metro region continued strong in the first quarter. Once again, growth appears to have been consistently stronger than in the State as a whole. If a slowdown in the economy does occur anytime soon, it is likely that it will result in only a reduction in growth, perhaps to an average or slightly-below average pace. It is not too likely that growth will turn negative soon.

After registering a 2.8 percent gain (0.8 percentage point higher than in Pennsylvania), nonagricultural job levels moved forward to another record high, seasonally adjusted, in the first quarter. This performance, however, does represent a slight dropoff from average gains in earlier years. Fac-

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'89	*1 Q.'89*	*4 Q.'88*	*1 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	2,363.8	127	123	123
Unemployed, no. of residents	93.3	51	56	59
Rate, seasonally adjusted	3.6			
Civilian labor force, no. of residents	2,457.1	120	117	118
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,173.6	120	119	119
Nonmfg. only, no. of jobs	1,807.0	132	131	130
Mfg. only, no. of jobs	365.3	82	82	83
Hrs. worked by production workers in mfg., *ave. weekly*	40.3	102	102	102
Industrial electric power sales	***	113	110	110
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	422.8	−4		
Nonresidential contracts only	514.5	+9		

[1]Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	1 Q.'89	*1 Q.'89*	*4 Q.'88*	*1 Q.'88*
Employment *(in thousands)*				
Employed, no. of residents	170.6	128	124	120
Unemployed, no. of residents	7.2	75	88	90
Rate, seasonally adjusted	3.7			
Civilian labor force, no. of residents	177.8	124	122	118
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	151.1	116	115	112
Nonmfg. only, no. of jobs	102.4	129	128	124
Mfg. only, no. of jobs	48.7	96	95	94
Hrs. worked by production workers in mfg., *ave. weekly*	41.0	105	104	105
Industrial electric power sales	***	146	140	140
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	33.5	+ 5		
Nonresidential contracts only	21.7	+768		

[1]Berks County

tory job levels continue to climb upward, albeit slowly. In fact, current levels have only been surpassed once, during the late 1970s and early 1980s prior to the onset of recession. At 61,900 in the first quarter, job levels were up 1,100 from a year ago. Gains occurred in both the durables and nondurables industries. The region's largest manufacturing industry, nonelectrical machinery, added 400 new positions. Electricity sales to industry, a proxy for production trends, continued to move forward. On the negative side, the average workweek, a leading indicator of hiring trends, has been on the decline for the past several months.

Nonmanufacturing job levels continue on an upward path. They have risen nearly nonstop since the recovery began in 1982/1983. First quarter's 115,900 nonfactory positions represent another record high after seasonal adjustment and a gain of 3,700 from the same period in 1988. This works out to a 3.3 percent gain, quite a bit stronger than the State's 2.2 percent growth rate. Construction trends were mixed. Job levels were up by 400 on an annual basis. There were strong gains in new housing units authorized by permit in 1988, yet a small sample of permit-issuing authorities points to declines so far this year. Nonresidential contract awards were down more than one-half in value from a year ago while residential awards were up by one-fourth.

Unlike nonagricultural job growth, resident employment gains picked up a bit during this year's first quarter. Specifically, the annual growth rate, at 5.6 percent during this year's first three months, looks quite strong compared to the 3.5 percent gain averaged in earlier years. Statewide, growth came in at 4.5 percent this past quarter. Employment totaled 215,100 for a new record and an absolute increase of 11,400 from a year ago. This absorbed a fairly strong increase in the labor force and pushed down the unemployment rate from a seasonally adjusted 4.3 percent in last year's first quarter to 3.6 percent in 1989.

York Area[1]

	Ave. mo. value 1 Q.'89	Average monthly index seas. adj. (1977 = 100) 1 Q.'89	4 Q.'88	1 Q.'88
Employment *(in thousands)*				
Employed, no. of residents	215.1	142	136	134
Unemployed, no. of residents	8.9	82	94	94
Rate, seasonally adjusted	3.6			
Civilian labor force, no. of residents	224.0	138	134	132
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	177.8	126	125	123
Nonmfg. only, no. of jobs	115.9	142	141	138
Mfg. only, no. of jobs	61.9	104	103	102
Hrs. worked by production workers in mfg., *ave. weekly*	41.8	102	103	104
Industrial electric power sales	***	127	125	120
Construction contracts awarded *(in millions of dollars)*	'89 Ytd (Jan-Mar)	Pct Change From Year-Ago Ytd		
Residential contracts only	51.1	+23		
Nonresidential contracts only	7.7	−53		

[1]Adams and York Counties

The Pennsylvania State University, in compliance with federal and state laws, is committed to the policy that all persons shall have equal access to programs, admission, and employment without regard to race, religion, sex, national origin, handicap, age, or status as a disabled or Vietnam-era veteran. Direct all affirmative action inquiries to the Affirmative Action Officer, Suzanne Brooks, 201 Willard Building, University Park, PA 16802; (814) 863-0471.

U.Ed. 89-407

PENNSYLVANIA BUSINESS SURVEY

May 1989 Vol. 30, No. 5

Published monthly by the Division of Research of the College of Business Administration, 103 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802. Subscription rate: $10.00 a year. (ISSN 0031-4382)

J.D. Hammond, Dean of the College
Paul H. Rigby, Associate Dean and Director of the Division of Research
Rodney A. Erickson, Director of the Center for Regional Business Analysis and Associate Director of the Division of Research
William D. Anderson, Assistant Director of the Center for Regional Business Analysis
Doris J. Bickle, Staff Assistant
Mary Jane Corman, Subscription Coordinator

The content of this publication is not copyrighted and may be reproduced freely, but acknowledgment of source will be appreciated.

PENNSYLVANIA BUSINESS SURVEY
Division of Research of the
College of Business Administration
The Pennsylvania State University
University Park, PA 16802

ADDRESS CORRECTION REQUESTED

Nonprofit Org.
U.S. Postage
PAID
The Pennsylvania
State University

* 018-01-12002
* SRI
CONGRESSIONAL INFO SERVICE
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814